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Equity Receiver*

**UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF NEW JERSEY**

**COMMODITY FUTURES TRADING)
COMMISSION,)**

Plaintiff,)

vs.)

**EQUITY FINANCIAL GROUP, LLC,)
TECH TRADERS, INC., TECH)
TRADERS, LTD., MAGNUM)
CAPITAL INVESTMENTS, LTD.,)
MAGNUM INVESTMENTS, INC.,)
VINCENT J. FIRTH, ROBERT W.)
SHIMER, COYT E. MURRAY, and J.)
VERNON ABERNETHY,)**

Defendants.)

Civil Action No.: 04CV 1512

Honorable Robert B. Kugler

**SIXTH APPLICATION OF PEPPER HAMILTON LLP FOR INTERIM
COMPENSATION AND EXPENSE REIMBURSEMENT**

Pepper Hamilton LLP (“Pepper Hamilton”), local counsel for Stephen T. Bobo as Equity Receiver (the “Receiver”) for the Defendants, Equity Financial Group, LLC, Tech Traders, Inc., Tech Traders, Ltd., Magnum Investments, Inc., Magnum Capital Investments, Ltd., Vincent J. Firth, and Robert W. Shimer, requests an award of interim compensation and expense reimbursement for services provided from July 1, 2005 through September 30, 2005. Pepper Hamilton seeks interim compensation in the amount of \$7,916.98 and reimbursement of expenses in the amount of \$930.83.

BACKGROUND AND CASE STATUS

1. The Commodity Futures Trading Commission (the "CFTC") filed its Complaint and Motion for *Ex Parte* Statutory Restraining Order with the United States District Court for the District of New Jersey on April 1, 2004, seeking injunctive relief and civil monetary penalties against Defendants Equity Financial Group, LLC, Tech Traders, Inc., Vincent J. Firth, and Robert W. Shimer. That same day, this Court granted the CFTC's motion for the restraining order and appointed Stephen T. Bobo as Temporary Equity Receiver for the Defendants and their assets.

2. In light of additional facts that emerged from the CFTC's ongoing investigation, on August 12, 2004, the CFTC filed an Amended Complaint, naming five additional Defendants, including Coyt E. Murray, J. Vernon Abernethy, Tech Traders, Ltd., Magnum Investments, Inc., and Magnum Capital Investments, Ltd. As of August 24, 2004, all named Defendants consented to the Court's entry of a preliminary injunction. Pursuant to the Court's preliminary injunction orders, Mr. Bobo serves as the Receiver for Tech Traders, Inc., Tech Traders, Ltd., Magnum Investments, Ltd., Magnum Capital Investments, Ltd., Equity Financial Group, LLC, Vincent Firth, and Robert Shimer.

3. With the Court's approval, the Receiver continues to employ attorneys from the law firm of Pepper Hamilton as local counsel in this case. Pepper Hamilton reviews and files the Receiver's motions and reports, as well as other pleadings so as to ensure compliance with the Local Rules. Pepper Hamilton also regularly advises the Receiver and his principal counsel, Sachnoff & Weaver, Ltd., on local practice issues. Pepper Hamilton will continue to represent the Receiver in hearings before the Court, including the evidentiary hearings on the Receiver's objections to certain investor claims scheduled for January 2006.

NATURE OF THE SERVICES RENDERED AND EXPENSES INCURRED

4. From July 1, 2005 through September 30, 2005, Pepper Hamilton has provided 26.40 hours of professional services as local counsel for the Receiver. Pepper Hamilton only seeks compensation, however, for 24.10 hours of services because a portion of the time spent by its attorneys involved transitioning the case from one partner, Jeremy Frey, to another, Tom Gallagher. Specifically, Pepper Hamilton does not seek compensation for any of the time Mr. Frey time spent bringing Mr. Gallagher up to speed on the case. For the Court's benefit in reviewing this application, Pepper Hamilton's services are divided into two (2) principal categories:

- A. General estate administration; and
- B. Reviewing and filing motions and reports with the Court.

A copy of Pepper Hamilton's statement of services is attached as Exhibit B to the Declaration of Stephen T. Bobo as Equity Receiver in Support of the Sixth Fee Applications for Interim Compensation and Expense Reimbursement of Sachnoff & Weaver, Ltd. and Pepper Hamilton LLP.

5. In its April 1, 2004 Order, the Court directed the Receiver's counsel to file a fee application on a quarterly basis. On October 6, 2005, Pepper Hamilton filed its fifth quarterly fee application with the Court, requesting fees in the amount of \$10,230.36 and reimbursement of expenses in the amount of \$679.25 for the period from April 1, 2005 through June 30, 2005. The Court approved this fee application on November 7, 2005.

6. Pursuant to the Court's directive, Pepper Hamilton files this sixth fee application for professional services provided to the Receiver during the third quarter of 2005.

A. General Estate Administration

7. Pepper Hamilton seeks compensation for 20.4 hours of professional services related to the administration of the receivership estate from July 1, 2005 through September 30, 2005. Pepper Hamilton communicates with and advises the Receiver and his principal counsel on a regular basis with respect to local practices and procedures, which allows the Receiver to carry out his duties in a more efficient manner. During the third quarter of 2005, Pepper Hamilton continued to assist the Receiver and his counsel with various aspects of the investor claim process. For example, in late September 2005, Pepper Hamilton assisted the Receiver in preparing for a status hearing before Magistrate Judge Donio to address both the Receiver's remaining objections to certain investor claims and Sterling Trust (Anguilla) Ltd.'s account at Man Financial. One of its attorneys also participated in this status hearing before the Magistrate Judge. Pepper Hamilton also assisted with the revised distribution schedules filed on September 28, 2005 in response to Magistrate Judge Donio's September 2, 2005 Report and Recommendation and the Court's September 26, 2005 Order.

B. Reviewing and Filing Motion and Reports With the Court

8. Pepper Hamilton seeks compensation for 2.7 hours for services related to the filing of motions and reports from July 1, 2005 through September 30, 2005. To ensure the Receiver keeps the Court abreast of his efforts on behalf of the estate, Pepper Hamilton continues to review and file all motions and reports for the Receiver. During the third quarter of 2005, Pepper Hamilton reviewed and filed the following pleadings: the Recommendation of Stephen T. Bobo, Equity Receiver, Regarding Treatment of Universe Capital Appreciation, LLC; the Fifth Fee Applications of Equity Receiver, Sachnoff & Weaver, Ltd., Pepper Hamilton LLP, and FGMK, LLC for Interim Compensation and Expense Reimbursement; the Equity Receiver's Statement of Position Regarding Account #37923 in the Name of Sterling Trust at Man

Financial; and the Equity Receiver's Revised Interim Distribution Schedules.

C. Expenses For Which Pepper Hamilton Seeks Reimbursement

9. Pepper Hamilton seeks reimbursement for a total of \$930.83 in expenses incurred from July 1, 2005 through September 30, 2005. Expenses necessary to perform the Receiver's obligations include long-distance telephone charges, postage expenses, photocopying expenses, messenger expenses, process server charges, and filing service expenses. Pepper Hamilton incurred expenses for process servers and filing services when it handled service of subpoenas duces tecum on several law firms that provided professional services to the corporate defendants, including Equity Financial Group, LLC, Tech Traders, Inc., Tech Traders, Ltd., Magnum Investments, Inc., and Magnum Capital Investments, Ltd. Although these subpoenas were served on the law firms during the second quarter of 2005, Pepper Hamilton was not charged for these expenses until the third quarter of 2005. A summary of these expenses is included in Exhibit B to the Declaration of Stephen T. Bobo.

REASONABLENESS OF THE COMPENSATION REQUESTED

10. Pepper Hamilton has provided a team of local counsel including a partner and an associate in its litigation group to assist the Receiver in administering the receivership estate and ensuring compliance with the Local Rules.

11. Pepper Hamilton seeks compensation for its attorneys at a 5 percent discount from its customary hourly rates. These rates range from \$280.25 to \$356.25. Total time and fees sought for the two attorneys involved in this matter are summarized below:

<u>Timekeeper</u>	<u>Practice Group</u>	<u>Total Hours</u>	<u>Hourly Rate</u>	<u>Compensation Requested</u>
Tom Gallagher	Litigation	15.30	\$356.25	\$5,450.64
Jeffrey Carr	Litigation	8.80	\$280.25	<u>\$2,466.34</u>
			FEE TOTAL	\$7,916.98

12. Pepper Hamilton agreed to take on this matter with no assurance that funds would exist in the Defendants' estate to compensate the firm for its services. Pepper Hamilton does not hold a retainer for the services that its attorneys continue to provide to the Defendants. For these reasons, Pepper Hamilton is deserving of the full amount of the compensation requested.

RELIEF REQUESTED

Based upon the amount of services provided, the skill required, and the results achieved to date, Pepper Hamilton submits that the compensation requested is justified in its allowance and payment is appropriate.

WHEREFORE, Pepper Hamilton respectfully requests that this Court enter an order:

1. Allowing interim compensation in the amount of \$7,916.98 to Pepper Hamilton for services provided and in the amount of \$930.83 for expenses incurred and advanced from July 1, 2005 through September 30, 2005;
2. Authorizing the Receiver to pay Pepper Hamilton the amount of \$7,916.98 in fees and \$930.83 in expenses from the receivership estate; and
3. Providing Pepper Hamilton further relief as may be appropriate in these circumstances.

Respectfully submitted,

PEPPER HAMILTON LLP

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